

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Ypsilanti District Library</u>	County Washtenaw
Audit Date November 30, 2003	Opinion Date January 22, 2004	Date Accountant Report Submitted To State: February 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address Suite 200, 350 South Main Street		City Ann Arbor	State MI
ZIP 48104			
Accountant Signature <i>Plante & Moran, PLLC</i>			

Ypsilanti District Library

**Financial Report
with Additional Information
November 30, 2003**

Ypsilanti District Library

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Independent Auditor's Report

To the Ypsilanti District Library Board
Ypsilanti, Michigan

We have audited the accompanying general purpose financial statements of the Ypsilanti District Library as of November 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Ypsilanti District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ypsilanti District Library at November 30, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 22, 2004

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Ypsilanti District Library

	Governmental Fund Types		
	General	Debt Service	Capital Projects
Assets			
Cash and cash equivalents (Note 2)	\$ 927,992	\$ 224,976	\$ 851,068
Investments (Note 2)	2,319,894	-	-
Property taxes receivable	101,327	-	-
Accrued interest and other receivables	19,538	-	-
Due from other governmental units	74,276	-	-
Due from General Fund	-	8,586	-
Due from Capital Projects Fund	126,036	-	-
Due from Debt Service Fund	-	-	413
Capital assets (Note 3)	-	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 3,569,063	\$ 233,562	\$ 851,481
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 104,125	\$ -	150,000
Accrued payroll and other	61,323	-	-
Deferred revenue:			
Property taxes	3,103	-	-
Superior township contract	46,000	-	-
Single business tax	28,276	-	-
Retainage payable	-	-	151,053
Due to Debt Service Fund	8,586	-	-
Due to General Fund	-	-	126,036
Due to Capital Projects Fund	-	413	-
Long-term debt (Note 4)	-	-	-
Total liabilities	251,413	413	427,089
Fund Equity			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved:			
Yoder Memorial Fund	3,036	-	-
Yates Memorial Fund	3,327	-	-
Reaume Memorial Fund	1,783	-	-
Michigan Avenue Park	16,924	-	-
Debt service	-	233,149	-
Capital projects	-	-	73,503
Potential arbitrage	-	-	350,889
Unreserved:			
Designated for working capital	750,000	-	-
Designated for improvement fund	1,620,448	-	-
Designated for capital fund deficiency	400,000	-	-
Undesignated	522,132	-	-
Total fund equity	3,317,650	233,149	424,392
Total liabilities and fund equity	\$ 3,569,063	\$ 233,562	\$ 851,481

Combined Balance Sheet
Governmental Fund Types and Account Groups
November 30, 2003

Account Groups		Totals
General	General	(Memorandum
Fixed Assets	Long-term Debt	Only)
\$ -	\$ -	\$ 2,004,036
-	-	2,319,894
-	-	101,327
-	-	19,538
-	-	74,276
-	-	8,586
-	-	126,036
-	-	413
20,889,096	-	20,889,096
-	233,149	233,149
-	16,025,171	16,025,171
\$ 20,889,096	\$ 16,258,320	\$ 41,801,522

\$ -	\$ -	\$ 254,125
-	-	61,323
-	-	3,103
-	-	46,000
-	-	28,276
-	-	151,053
-	-	8,586
-	-	126,036
-	-	413
-	16,258,320	16,258,320
-	16,258,320	16,937,235

20,889,096	-	20,889,096
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-	-	3,036
-	-	3,327
-	-	1,783
-	-	16,924
-	-	233,149
-	-	73,503
-	-	350,889
-	-	750,000
-	-	1,620,448
-	-	400,000
-	-	522,132
20,889,096	-	24,864,287
\$ 20,889,096	\$ 16,258,320	\$ 41,801,522

Ypsilanti District Library

	Governmental Fund	
	General	Debt Service
Revenue		
Property taxes	\$ 2,503,860	\$ 1,376,682
Penal fines	144,061	-
State revenue-sharing	51,519	-
State aid:		
Direct	33,184	-
Indirect	33,184	-
Superior Township contract	46,000	-
Miscellaneous	82,288	-
Donations	21,938	-
Interest income	48,326	2,729
Friends of the Library gift	1,500	-
Total revenue	2,965,860	1,379,411
Expenditures		
Administrative	2,142,031	-
Downtown library	104,539	-
Bookmobile	6,081	-
Peters Branch	11,980	-
Whittaker Road	596,001	-
Expenditures from donations revenue	1,019	-
Debt service:		
Principal	-	580,000
Interest	-	744,621
Capital projects	-	-
Total expenditures	2,861,651	1,324,621
Excess of Revenue Over (Under) Expenditures	104,209	54,790
Fund Balances - Beginning of year	3,213,441	178,359
Fund Balances - End of year	<u>\$ 3,317,650</u>	<u>\$ 233,149</u>

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Fund Types
General, Debt Service, and Capital Projects Funds
Year Ended November 30, 2003

Type	Total
Capital Projects	(Memorandum Only)
\$ -	\$ 3,880,542
-	144,061
-	51,519
-	33,184
-	33,184
-	46,000
-	82,288
14,368	36,306
27,011	78,066
-	1,500
41,379	4,386,650
-	2,142,031
-	104,539
-	6,081
-	11,980
-	596,001
-	1,019
-	580,000
-	744,621
1,686,758	1,686,758
1,686,758	5,873,030
(1,645,379)	(1,486,380)
2,069,771	5,461,571
\$ 424,392	\$ 3,975,191

Ypsilanti District Library

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 2,431,735	\$ 2,503,860	\$ 72,125
Penal fines	141,061	144,061	3,000
State revenue-sharing	63,142	51,519	(11,623)
State aid:			
Direct	33,184	33,184	-
Indirect	33,184	33,184	-
Contract with Superior Township	46,000	46,000	-
Miscellaneous	78,000	82,288	4,288
Donations	4,714	21,938	17,224
Interest income	45,000	48,326	3,326
Friends of Library gift	1,500	1,500	-
Total revenue	2,877,520	2,965,860	88,340
Expenditures			
Administrative	2,158,022	2,142,031	15,991
Downtown library	139,229	104,539	34,690
Bookmobile	7,700	6,081	1,619
Peters Branch	12,000	11,980	20
Whittaker Road	648,450	596,001	52,449
Expenditures from donations revenue	2,300	1,019	1,281
Debt service	-	-	-
Total expenditures	2,967,701	2,861,651	106,050
Excess of Revenue Over (Under) Expenditures	(90,181)	104,209	194,390
Fund Balances - Beginning of year	3,213,441	3,213,441	-
Fund Balances - End of year	<u>\$ 3,123,260</u>	<u>\$ 3,317,650</u>	<u>\$ 194,390</u>

**Statement of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Governmental Fund Types
General and Debt Service Funds
Year Ended November 30, 2003**

Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,363,365	\$ 1,376,682	\$ 13,317
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,000	2,729	(271)
-	-	-
1,366,365	1,379,411	13,046
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,324,935	1,324,621	314
1,324,935	1,324,621	314
41,430	54,790	13,360
178,359	178,359	-
<u>\$ 219,789</u>	<u>\$ 233,149</u>	<u>\$ 13,360</u>

Note I - Summary of Significant Accounting Policies

Ypsilanti District Library (the "Library") began operations as a district library in May 1983 when it began receiving tax revenue from Ypsilanti Township and the City of Ypsilanti.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by an elected seven-member Board of Trustees. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the Library's reporting entity. There are no component units to be included in the Library's financial report.

Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity.

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Library that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, penal fines, state-shared revenue, and other sources.

Debt Service Fund - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for the development of capital facilities.

Basis of Accounting

The modified accrual basis of accounting is utilized. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Library's borders encompass both the City of Ypsilanti and Ypsilanti Township. Properties in each governmental unit are assessed as of December 31. The related taxes are billed to City of Ypsilanti residents on July 1 and to Ypsilanti Township residents on December 1 of the following year. These taxes become a lien on December 1. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28 before they are added to the county tax rolls.

- b. Interest on long-term debt is not recorded as an expenditure until its due date.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- d. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- e. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets and Long-term Liabilities - Fixed assets are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets are recorded as expenditures in the governmental funds at the time of purchase. No depreciation has been provided on general fixed assets.

Library books and recordings included on the shelves are recorded at \$1 per item. Other fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from the governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Investments - Investments are reported at fair value, based on quoted market prices.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits and Investments

The Library's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 2,004,036
Investments	<u>2,319,894</u>
Total	<u>\$ 4,323,930</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,502,072
Investments in securities and investment pools	821,468
Petty cash	<u>390</u>
Total	<u>\$ 4,323,930</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$3,496,820. Of that amount, \$942,474 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 2 - Deposits and Investments (Continued)

Investments

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

The Library's investments are categorized below to give an indication of the level of risk assumed by the entity at November 30, 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Library or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Library's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Library's name

The carrying value of investments (at fair value) is as follows:

U.S. government bonds (Category 2)	\$ 808,594
Mutual funds	<u>12,874</u>
Total investments	<u>\$ 821,468</u>

The Library's mutual funds were acquired as the result of a donation. They are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC.

Ypsilanti District Library

Notes to Financial Statements November 30, 2003

Note 3 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance December 1, 2002	Additions	Deletions	Balance November 30, 2003
Land and building	\$ 1,012,645	\$ 16,612,240	\$ -	\$ 17,624,885
Furniture and equipment	2,349,507	531,095	-	2,880,602
Vehicles	137,379	-	-	137,379
Books and recordings	240,008	6,222	-	246,230
Construction in progress	15,424,783	1,052,329	(16,477,112)	-
Total	<u>\$ 19,164,322</u>	<u>\$ 18,201,886</u>	<u>\$ (16,477,112)</u>	<u>\$ 20,889,096</u>

The books and recordings are recorded at \$1 per item. The replacement value, based on trade publications' average costs adjusted for discounts and processing costs applicable to Library purchases, was approximately \$246,000 as of November 30, 2003.

Note 4 - Long-term Debt

Outstanding Debt

The following is a summary of the long-term debt outstanding of the Library as of November 30, 2003:

	Principal Outstanding
General obligation bonds	\$ 15,765,000
Potential arbitrage liability	350,889
Accumulated employee benefits	<u>142,431</u>
Total General Long-term Debt Account Group	<u>\$ 16,258,320</u>

Ypsilanti District Library

Notes to Financial Statements November 30, 2003

Note 4 - Long-term Debt (Continued)

The general obligation bonds consist of the following:

	December 1, 2002	Reductions	November 30, 2003
General obligation bonds dated April 1, 1999 in the amount of \$17,635,000 to finance Library Building and Site Bonds. Principal payments are due annually on May 1, with interest ranging from 4.5 percent to 4.75 percent	<u>\$ 16,345,000</u>	<u>\$ (580,000)</u>	<u>\$ 15,765,000</u>

The potential arbitrage liability relates to federal income tax regulations for certain debt issues, which require a public entity to rebate to the federal government interest earned on invested debt proceeds in excess of interest paid on debt. The potential arbitrage liability has been calculated as of April 30, 2003.

The accumulated employee benefits represent the estimated liability to be paid to governmental fund-type employees under the Library's compensated absence pay policy, net of the portion that is estimated will be paid currently. Under the Library's policy, employees earn compensated absence time based on time of service with the Library.

Debt Service Requirements

The annual principal and interest requirements to service all debt outstanding as of November 30, 2003, except the accumulated employee benefits, which have no specific maturity date, are as follows:

Years Ending November 30	General Obligation Bonds			Potential Arbitrage Liability
	Principal	Interest	Total	
2004	\$ 650,000	\$ 716,860	\$ 1,366,860	\$ 350,889
2005	695,000	686,598	1,381,598	-
2006	730,000	654,535	1,384,535	-
2007	770,000	620,785	1,390,785	-
2008	810,000	585,235	1,395,235	-
Remaining years	<u>12,110,000</u>	<u>3,430,500</u>	<u>15,540,500</u>	<u>-</u>
Total	<u>\$ 15,765,000</u>	<u>\$ 6,694,513</u>	<u>\$ 22,459,513</u>	<u>\$ 350,889</u>

Note 4 - Long-term Debt (Continued)

The final calculation of arbitrage liability will be performed as of March 31, 2004, which is the last day of the fifth year of the bonds. The calculated arbitrage liability will then be required to be paid by June 15, 2004. The Library has designated fund balance in its Capital Projects Fund for the entire amount of the estimated arbitrage liability, in anticipation of this payment.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Library for the year ended November 30, 2003:

Balance - December 1, 2002	\$ 16,822,375
Payment of bond principal	(580,000)
Decrease in potential arbitrage liability	(1,592)
Increase in obligation for employee benefits	<u>17,537</u>
Balance - November 30, 2003	<u>\$ 16,258,320</u>

Interest

Total interest incurred for the Library for the year was approximately \$745,000.

Note 5 - Budget

The annual budget is prepared by the Library management and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at November 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The General Fund and Debt Service Fund budgets have been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - governmental fund types - General and Debt Service Funds) is presented on the same basis of accounting used in preparing the adopted budget.

Note 5 - Budget (Continued)

The budget has been adopted on a total basis for revenue and a departmental basis for expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations to the budget as adopted by the Library Board can be seen by examining the total revenue and total expenditures on the statement of revenue, expenditures, and changes in fund balance - budget and actual - governmental fund types - General and Debt Service Funds. The line-item detail shown for revenue is not part of the adopted budget and is shown for management analysis only.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Liability and Property Pool for claims relating to property and general liability and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 7 - Defined Contribution Retirement Plan

The Library provides a pension plan to all of its employees who are over 21 years of age and earn more than \$450 annually through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from one year of employment. As established by the Board, the Library contributes 5 percent of employees' gross earnings and employees may contribute up to an additional 10 percent of earnings. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after the first deposit. In accordance with these requirements, the Library contributed \$31,438 during the year, and employees contributed \$44,394.

Note 8 - Upcoming Reporting Change

For the year beginning December 1, 2003, the Library plans to adopt GASB Statement No. 34. This will revise the information being reported in these financial statements, including reporting activity on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Additional Information



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To the Ypsilanti District Library Board
Ypsilanti, Michigan

We have audited the general purpose financial statements of the Ypsilanti District Library for the year ended November 30, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Ypsilanti District Library. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

January 22, 2004



A worldwide association of independent accounting firms

Ypsilanti District Library

Expenditures	Administration	Downtown	Bookmobile	Peters	Whittaker	Expenditures from Donations Revenue
Salary and benefits	\$ 1,663,672	\$ -	\$ -	\$ -	\$ -	\$ -
Library materials	-	80,803	130	-	272,163	1,019
Contractual	179,493	2,413	-	4,345	-	-
Automation and capital outlay	134,817	-	-	-	138,404	-
Other designated expenses	<u>164,049</u>	<u>21,323</u>	<u>5,951</u>	<u>7,635</u>	<u>185,434</u>	<u>-</u>
Total	<u>\$ 2,142,031</u>	<u>\$ 104,539</u>	<u>\$ 6,081</u>	<u>\$ 11,980</u>	<u>\$ 596,001</u>	<u>\$ 1,019</u>

**General Fund - Schedule of Expenditures by Category
Year Ended November 30, 2003**

<u>Total</u>	<u>Budget</u>	<u>Under (Over) Budget</u>	<u>Percent of Total</u>
\$ 1,663,672	\$ 1,669,902	\$ 6,230	58.2
354,115	366,400	12,285	12.4
186,251	204,000	17,749	6.5
273,221	275,650	2,429	9.5
<u>384,392</u>	<u>451,749</u>	<u>67,357</u>	<u>13.4</u>
 <u>\$2,861,651</u>	 <u>\$2,967,701</u>	 <u>\$ 106,050</u>	 <u>100.0</u>

January 29, 2004

Board of Directors
Ypsilanti District Library
5577 Whittaker Road
Ypsilanti, MI 48197

Dear Board Members,

We recently completed our audit of the financial statements of the Ypsilanti District Library for the year ended November 30, 2003. We would like to take this opportunity to thank your staff and management for their assistance in helping us to perform our audit. As part of our audit, we offer the following comments for your consideration.

GASB 34 – New Financial Reporting Format

As we have reported to you in the past, the Governmental Accounting Standards Board (GASB) has issued Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, which requires a new financial statement reporting model for governmental entities. This new reporting model would call for the Library to implement this new model effective for the fiscal year beginning December 1, 2003. Some of the changes in this model include:

- A "Management's Discussion Analysis" section, which will be prepared by Library management.
- A balance sheet and operating statement prepared on a full accrual basis. This will result in recording the bonds payable and the entire sick and vacation accrual in the general fund, as opposed to the General Long Term Debt Account Group.
- Capital assets, including library books, and their related depreciation will be reported.
- Presentation of original budget and amended budget

The Library has already taken steps to prepare for adoption of this accounting pronouncement, including creation of detailed capital asset records. Because of this advance preparation, we anticipate a smooth transition.

Arbitrage

As you know, an arbitrage liability exists related to the 1999 General Obligations Bonds issued by the Library. This liability relates to federal income tax regulations, which will require the Library to rebate to the federal government, a portion of the interest earned on invested debt proceeds in excess of interest paid on the debt.

Arbitrage (Continued)

A final calculation of the arbitrage liability will be required to be performed with an effective date no later than March 31, 2004. Submission of this calculation and the related payment of the arbitrage liability will be due on June 15, 2004. Based on the most recent estimate of the liability provided by Bank One (\$350,000 as of April 30, 2003), the Library has earmarked sufficient funds to pay for this liability. The actual liability could be more or less, than what is currently estimated. This estimated amount has been recorded as a liability in the General Long Term Debt Account Group and as a reserve of fund balance in the Capital Projects Fund.

Bank Reconciliations

While examining your procedures for performing bank reconciliations, we noted that there was no review process in place to monitor whether the reconciliations were completed correctly. In order to maintain effective control over bank reconciliations someone should review the work of the preparer. At a minimum, someone should agree the bank balance to the bank statement, the book balance to the general ledger, and reconciling items (deposits in transit, outstanding check list, other) to supporting schedules. The person reviewing the bank reconciliations should sign and date the reconciliation in order to document that the review was performed.

ACH Arrangements

Recently, Public Act 738 of 2002 was passed, which allows local units of government to make and accept electronic funds transfers (ACH payments), if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for the direct deposit of payroll, this new law requires a policy to be adopted.

The Board should consider adopting a policy on ACH arrangements that includes all of the following:

- Designation of an individual as the party responsible for approving payment, accounting, reporting and complying with the ACH policy;
- A statement that this individual is required to submit documentation as follows:
 - Describe the goods or services purchased,
 - The cost,
 - Date of payment, and
 - The department benefiting from the purchase;
- A system of internal controls to monitor the use of ACH transactions; and
- The approval of ACH invoices before payment.

We have attached a sample policy (Exhibit 1) that you may wish to use as a guide.

Credit Cards Usage

Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which must be followed. A local unit must have adopted by resolution, a written policy that provides for all of the following:

- a) A named officer or employee is responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- b) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- c) The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase, and the official business.
- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- e) The officer or employee must immediately surrender the card upon termination.
- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoices before payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.

We have attached a sample policy (Exhibit 2) based on what other units have adopted.

We appreciate the assistance and cooperation we have received from all the Library staff during the course of our examination. If any questions should arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you.

Very truly yours,

PLANTE & MORAN, PLLC



Leslie J. Pulver



Christopher M. Weber

This document was created by the Michigan Townships Association and is available at their
web site: [http://www.mta-
townships.org/information_department/resolutions_misc/ach_policy.htm](http://www.mta-townships.org/information_department/resolutions_misc/ach_policy.htm)

**Sample Resolution to Authorize Electronic Transactions
Under Public Act 738 of 2002**

WHEREAS, Electronic payments of public funds are required for some federally mandated transactions of public funds, and electronic payments have become a commonly accepted practice by banks and other financial institutions, and

WHEREAS, Public Act 738 of 2002, effective December 30, 2002, authorizes townships to make electronic transactions involving public funds by electronic payment, debit, or credit transfer processed through an automated clearing house, and

WHEREAS, PA 738 authorizes a township treasurer to enter into an ACH arrangement for a national and governmental organization that has authority to process electronic payments (ACH), including, but not limited to, the national automated clearing house association and the federal reserve system, and

WHEREAS, The _____ Township Board deems that it is in the best interest of the township to make certain township financial transactions by electronic payments as described in PA 738.

NOW, THEREFORE BE IT HEREBY RESOLVED, That the _____ Township Board authorizes the Township to utilize electronic transactions in compliance with the written procedures and internal controls developed and adopted by the Treasurer as the Township's ACH policy and presented to the Township Board on _____, 20__.

The foregoing resolution offered by Board Member _____.
Second offered by Board Member _____.

Upon roll call vote the following voted:

"Aye": _____
(list names of members voting "aye")

"Nay": _____
(list names of members voting "nay")

The Supervisor declared the resolution adopted.

(Printed Name), Clerk

Resolution # (example 1993-12-02 or 12-05-98 or 98-1201 . . . 98-1202)

A township shall not be a party to an ACH arrangement unless the township board has adopted a resolution to authorize electronic transactions and the township treasurer has presented a written ACH policy developed and adopted by the treasurer to the township board. This sample policy includes items that are required to be included in the ACH policy, and the treasurer may include in the ACH policy any other matters the treasurer considers necessary to oversee electronic transactions.

Sample Township Policy for Automated Clearing House (ACH) Arrangements and Electronic Transactions of Funds

The following policy shall govern the use of electronic transactions and ACH arrangements for _____ Township:

1. Definitions

"Automated clearing house" or "ACH" means a national and governmental organization that has authority to process electronic payments, including, but not limited to, the national automated clearing house association and the federal reserve system.

An "ACH arrangement" means the agreement between the originator of the ACH transaction and the receiver of an ACH transaction.

An "ACH transaction" means an electronic payment, debit, or credit transfer processed through an automated clearinghouse.

An "ACH policy" means the procedures and internal controls as determined under this written policy developed and adopted by the township treasurer.

2. Authority to Enter into ACH Arrangements and Electronic Transfers of Public Funds

The township treasurer may enter into an ACH arrangement as provided by Public Act 738 of 2002, effective December 30, 2002.

_____ Township shall not be a party to an ACH arrangement unless the _____ Township Board has adopted a resolution to authorize electronic transactions and the _____ Township Treasurer has presented a written ACH policy to the township board.

An ACH arrangement under PA 738 of 2002 is not subject to the Revised Municipal Finance Act, Public Act 34 of 2001 (MCL 141.2101, *et seq.*), or to provisions of law or charter concerning the issuance of debt by a local unit.

3. Responsibility for ACH Agreements

The _____ Township Treasurer or _____ (*officer or employee position designated by the treasurer*) is responsible for _____ Township's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.

The treasurer shall submit to the township board documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by each payment of public funds made by electronic transfer. This report may be contained in the township's electronic general ledger software system or in a separate report to the township board.

4. Internal Accounting Controls to Monitor Use of ACH Transactions Made by Township

The following system of internal accounting controls will be used to monitor the use of ACH transactions made by _____ Township:

- 1) The treasurer shall prepare a list of vendors authorized to be paid by ach transaction and provide that list to the clerk.
- 2) The clerk initiates the transaction upon receipt of an invoice included on the authorized ACH list approved by the appropriate township official. ACH invoices must be approved before payment. The clerk signs the ACH invoice, which then acts as the warrant.
- 3) The clerk presents the warrants (*or check if the clerk prepares the checks in a double signature system*), a list of bills for payment, and a separate list of the electronic payments for township board approval. The board approves all transactions prior to disbursement. *[If the township board has established a policy identifying specific payments that have pre-approved authorization (monthly utility bills, payroll), it must post-audit those payments and confirm their disbursement at the next board meeting following their disbursement. Include in the ACH policy the list of specific types of payments pre-authorized for post-approval by the board.]*
- 4) Following board approval, the treasurer signs the ACH warrant, initiates the electronic transaction with the vendor, and makes the actual transfer of funds. *[A township may wish to consider using a separate bank account to accomplish ACH electronic transactions, effectively creating a "firewall" between the township's funds and outsiders.]*
- 5) The treasurer shall retain all ACH transaction documents for audit purposes.
- 6) The clerk shall retain all invoices for audit purposes.

Certification

I, (print name), Treasurer of _____ Township, certify that I developed and adopted the foregoing ACH policy and have presented it to the _____ Township Board.

_____, Treasurer _____, Date _____

This sample policy is provided for general information purposes and should not be construed as legal advice. Each township treasurer should refer to the provisions of Public Act 738 of 2002 and the township's financial consultant (auditor, accountant) or legal counsel in developing a policy for the township.

Prepared by Michigan Townships Association, January 2003

SAMPLE CREDIT CARD USE POLICY RESOLUTION PA 266 of 1995

At a regular meeting of the _____ Township Board of Trustees, the following preamble and resolution was offered by _____ and was supported by _____ :

WHEREAS, Public Act 266 of 1995 authorizes a township to be a party to a credit card arrangement if the township board has adopted by resolution a written policy governing the control and use of credit cards, and

WHEREAS, the _____ Township Board deems that it is in the best interest of the township to make certain township financial transactions by using a credit card as described in the Act, now

THEREFORE BE IT RESOLVED, that the following policy shall govern the use of township credit cards:

(a) The ____ (officer)(1) _____ is responsible for issuing, accounting for, monitoring, retrieving and generally overseeing compliance with the township's credit card policy.

(b) Township credit cards may be used only by an officer or employee of the township for the purchase of goods or services for the official business of the township. (optional) The use of credit card is limited to the following circumstances (choose as appropriate):

· purchase of capital outlays up to \$_____ (indicate amount) travel, meals and accommodations while on township business (excluding expenses incurred in operating a privately owned automobile) gas, oil and other necessary expenses incurred in operating a township-owned vehicle, other: _____

(c) Township officers and employees who use a township credit card shall, as soon as possible, submit a copy of the vendor's credit card slip to the _____ officer described in (a) above _____. If no credit card slip was obtained that described the transaction, the employee shall submit a signed voucher that shows the name of vendor or entity from which goods or services were purchased, the date and the amount of the transaction, the official business that required the transaction, and the chart of account number indicating the line item to which the transaction is to be charged. All credit card slips shall include this information as well. Vouchers shall also include a statement why a credit card slip was not obtained.

(d) An official or employee who is issued a credit card is responsible for its protection and custody. If a credit card is lost or stolen, the _____ officer described in (a) above _____ shall be notified. The entity issuing the lost or stolen credit card shall be immediately notified to cancel the card.

(e) An officer or employee issued a credit card shall return the credit card to _____ officer described in (a) above _____ upon termination of his or her employment or service with the township.

(f) The _____ officer described in (a) above _____ shall maintain a list of all credit cards owned by the township, along with the name of the officer and employee who has been issued the credit card, the credit limit established, the date issued, and the date returned. Each employee shall initial the list beside his or her name to indicate agreement that the credit card has been issued, and that the employee has received and read a copy of this policy.

The _____ officer described in (a) above _____ shall review each credit card statement as soon as possible to ensure that transactions comply with this policy. Any transactions that appear on the statements that are not documented with a credit card slip or a signed voucher shall be immediately investigated. Transactions that do not appear to comply with this policy shall be reported to the township board.

(g) The township board shall not approve a payment to the entity issuing the credit card until all transactions have been verified, including the approval of all transaction invoices if issued.

(h) The balance including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date.

(i) Officers and employees who use a township credit card in a manner contrary to this policy shall be subject to the following disciplinary actions, as deemed appropriate by the township board:

verbal counseling
written reprimand
suspension
termination

reimbursement to the township for unauthorized expenditures.

(j) (Optional) Other matters the township board may consider advisable to address in the credit card policy may include:

establishing limits on the total amount of outstanding charges
naming specific officers or positions that are authorized to use a credit card

Upon a roll call vote the following voted AYE: _____ NAY: _____

The Supervisor declared the resolution adopted.

attested by:

Township Clerk

(1) The township board is required to designate an officer or an employee to be responsible for the functions indicated in section (a). This officer or employee may be the clerk, treasurer, accountant, manager, or another appropriate person designated by the township board.

"This sample policy is provided for general information purposes and should not be construed as legal advice. Please refer to the provisions of Public Act 266 (1995) in developing your own policies. Consultation with your local attorney may be advisable."
Prepared by MTA, 1-10-96